

State of California

Franchise Tax Board-Legislative Services Bureau
PO Box 1468
Sacramento, CA 95812-1468

Telephone: (916)845-4326
ATSS: 468-4326
FAX: (916)845-5472

Legislative Change No.

00-02

Bill Number: SB 1239

Author: Burton

Chapter Number: 00-04

Laws Affecting Franchise Tax Board:

Revenue and Taxation Code Section 23040.1

Date Filed with the Secretary of the State: March 15, 2000

SUBJECT: Exemption/Alien Corporation Qualifying Investment Stock or Security Income/Doesn't Apply to Corporations in Unitary Business

Senate Bill 1239 (Burton), as enacted on March 15, 2000, made the following changes to California law:

Section 23040.1 of the Revenue and Taxation Code is amended.

This act provides that income, gain or loss from stocks or securities received by an alien corporation, as defined, whose sole activities in this state involve trading stocks or securities for its own account, as defined under Internal Revenue Code Section 864(b)(2)(A)(ii), will not be treated as income derived from or attributable to California sources.

This act specifies that an "alien corporation" trading in stocks or securities for its own account is not "doing business" in this state and, as a result, not liable for the franchise tax including the minimum franchise tax.

This act does not apply to an alien corporation which itself has, or that is engaged in a unitary business with another corporation that has, income derived from or attributable to California sources, other than income from stocks or securities excluded by the act. This act also specifies that a dealer in securities is not allowed this exclusion.

For purposes of this act:

"Alien corporation" means a corporation organized under the laws of a country, or political subdivision thereof, other than the United States.

"Dealer in stocks or securities" means a dealer in stocks or securities as defined under the Internal Revenue Code Section 864(b)(2)(A)(ii).

As a tax levy, this act is effective on March 15, 2000, and operative for income years beginning on or after January 1, 1999.

This act will not require any reports by the department to the Legislature.

Bureau Director

Johnnie Lou Rosas

Date

August 16, 2000